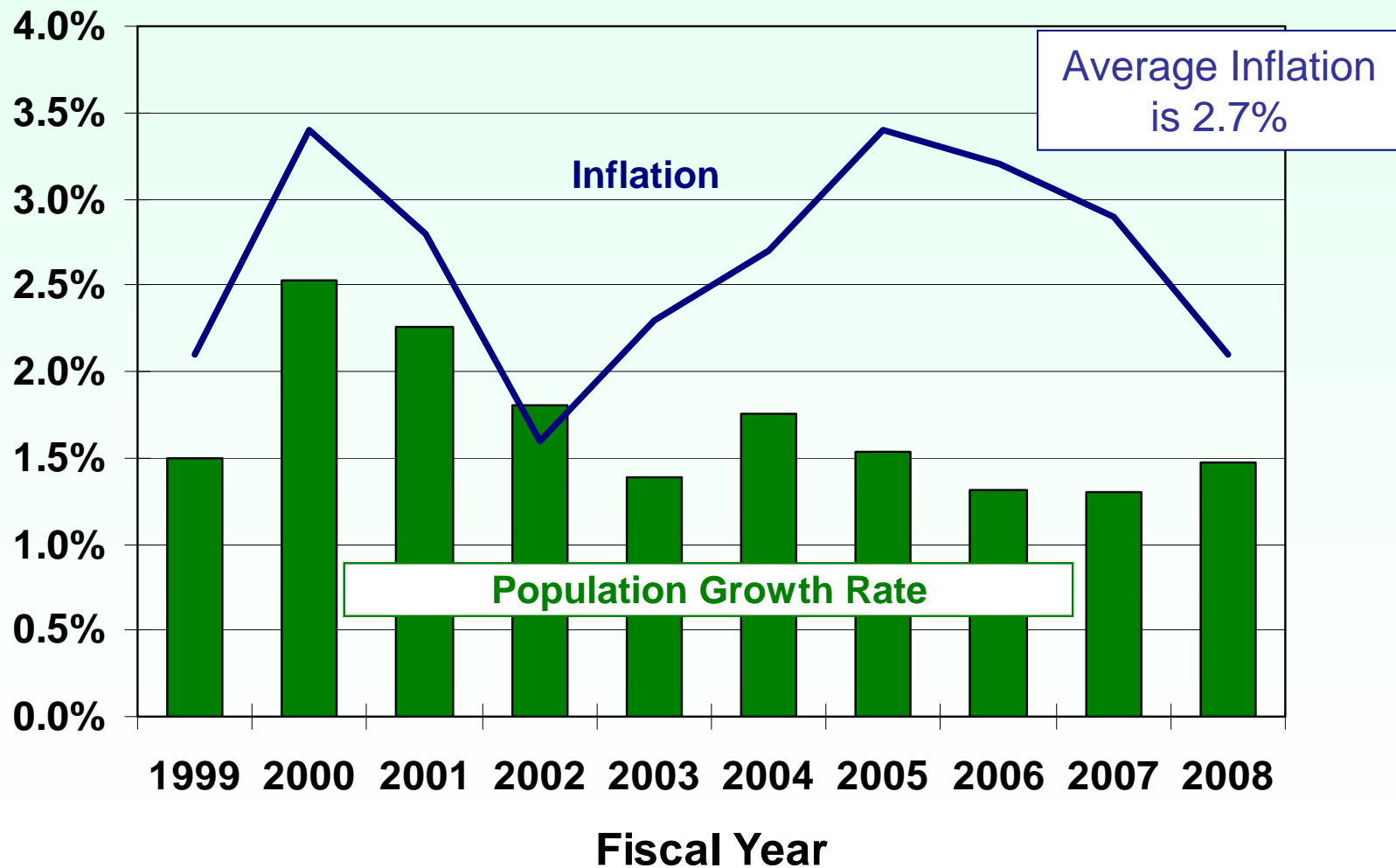


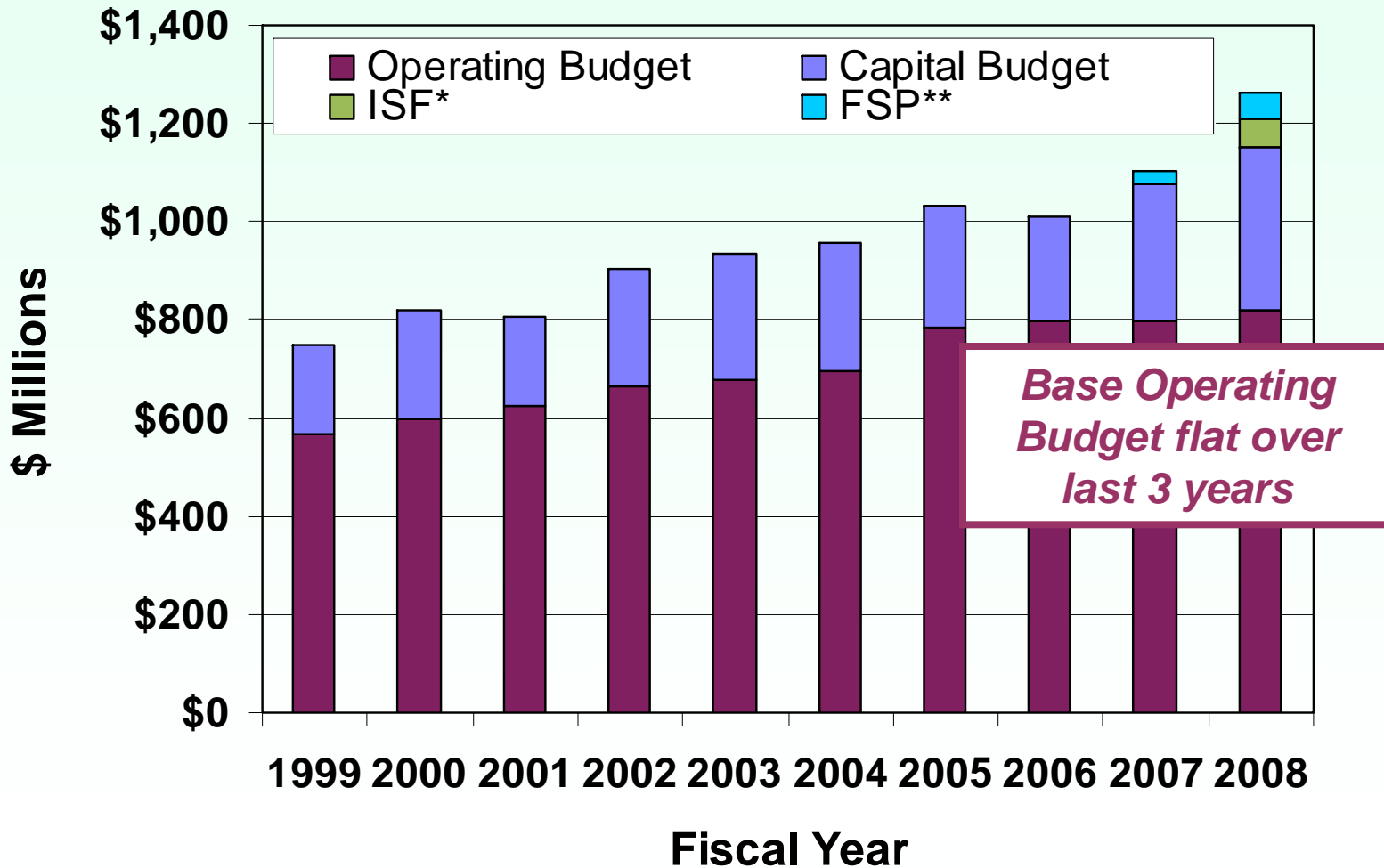
Budget Trends & Projections

Mayor and Council
Study Session
March 18, 2008

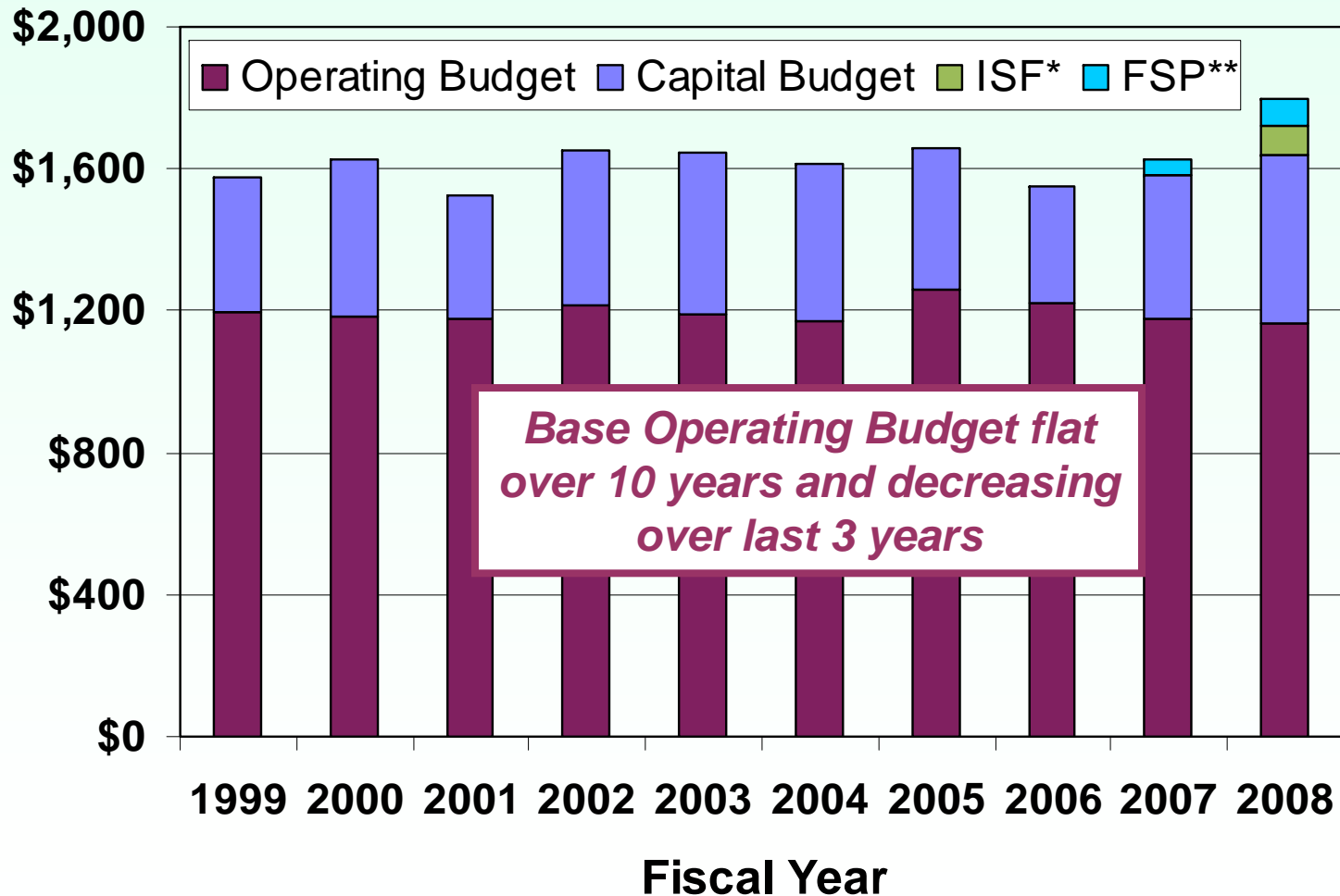
Population and Inflation*



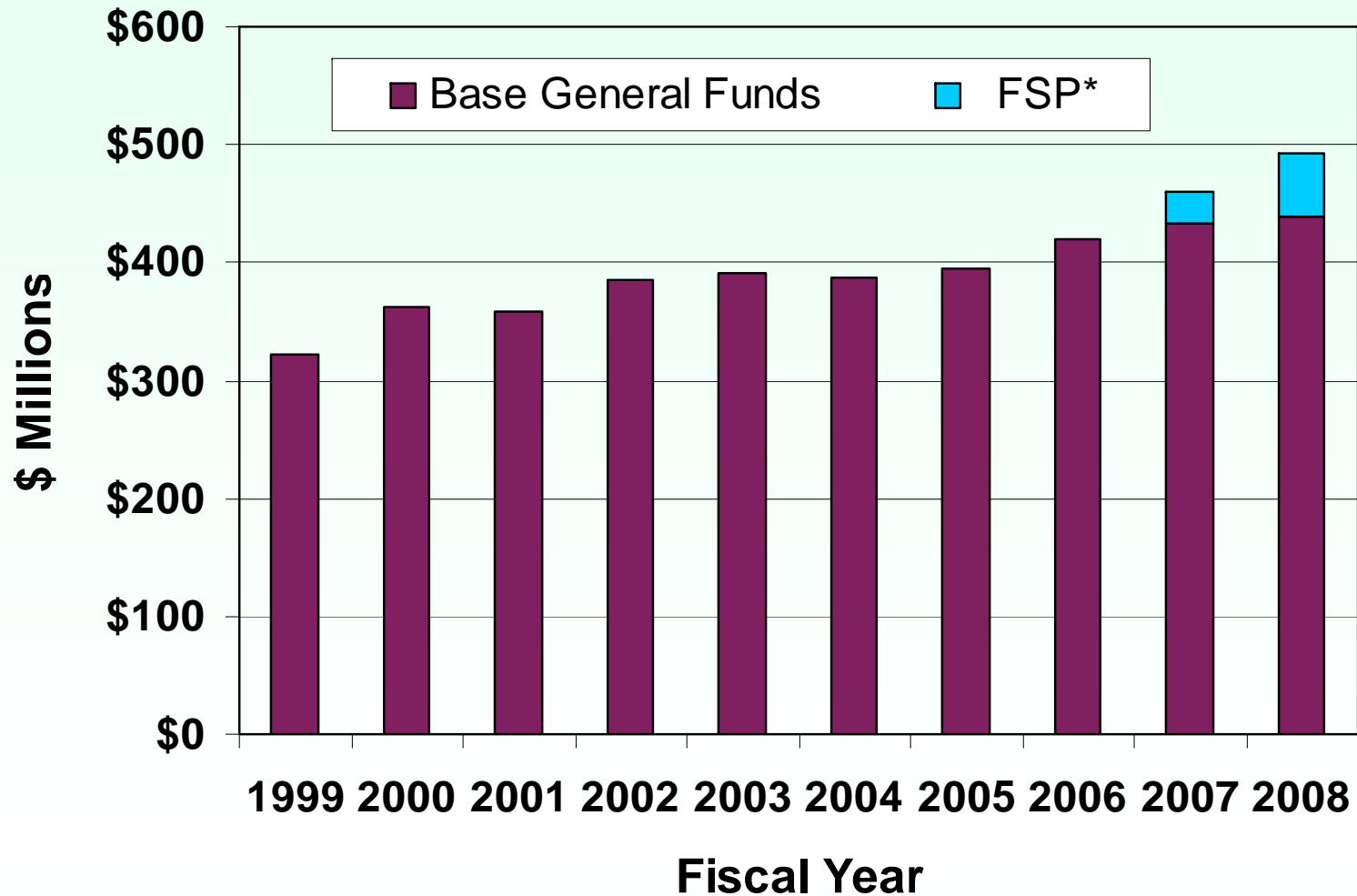
Total Budget 1999-2008



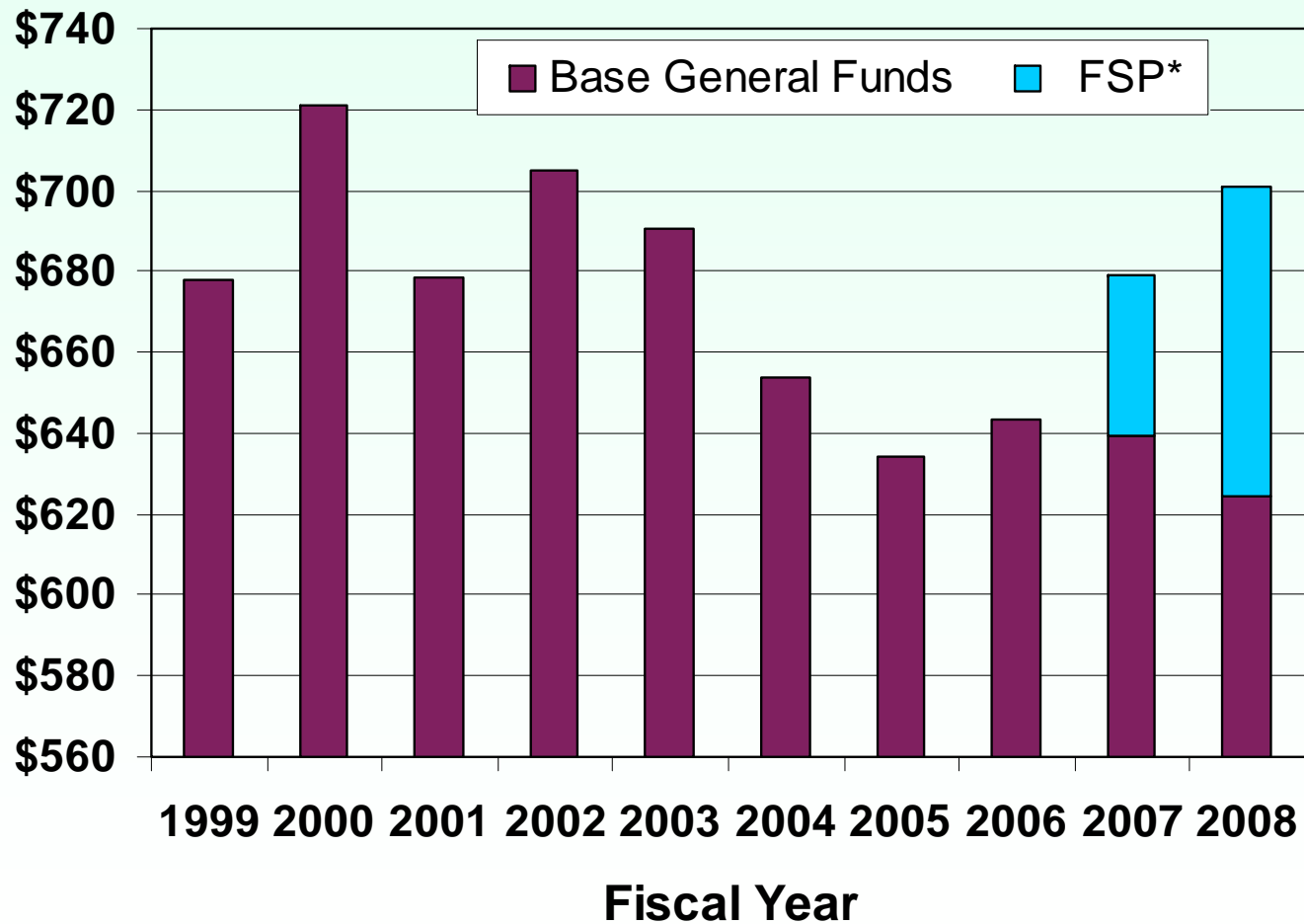
Total Budget per Capita Adjusted for Inflation



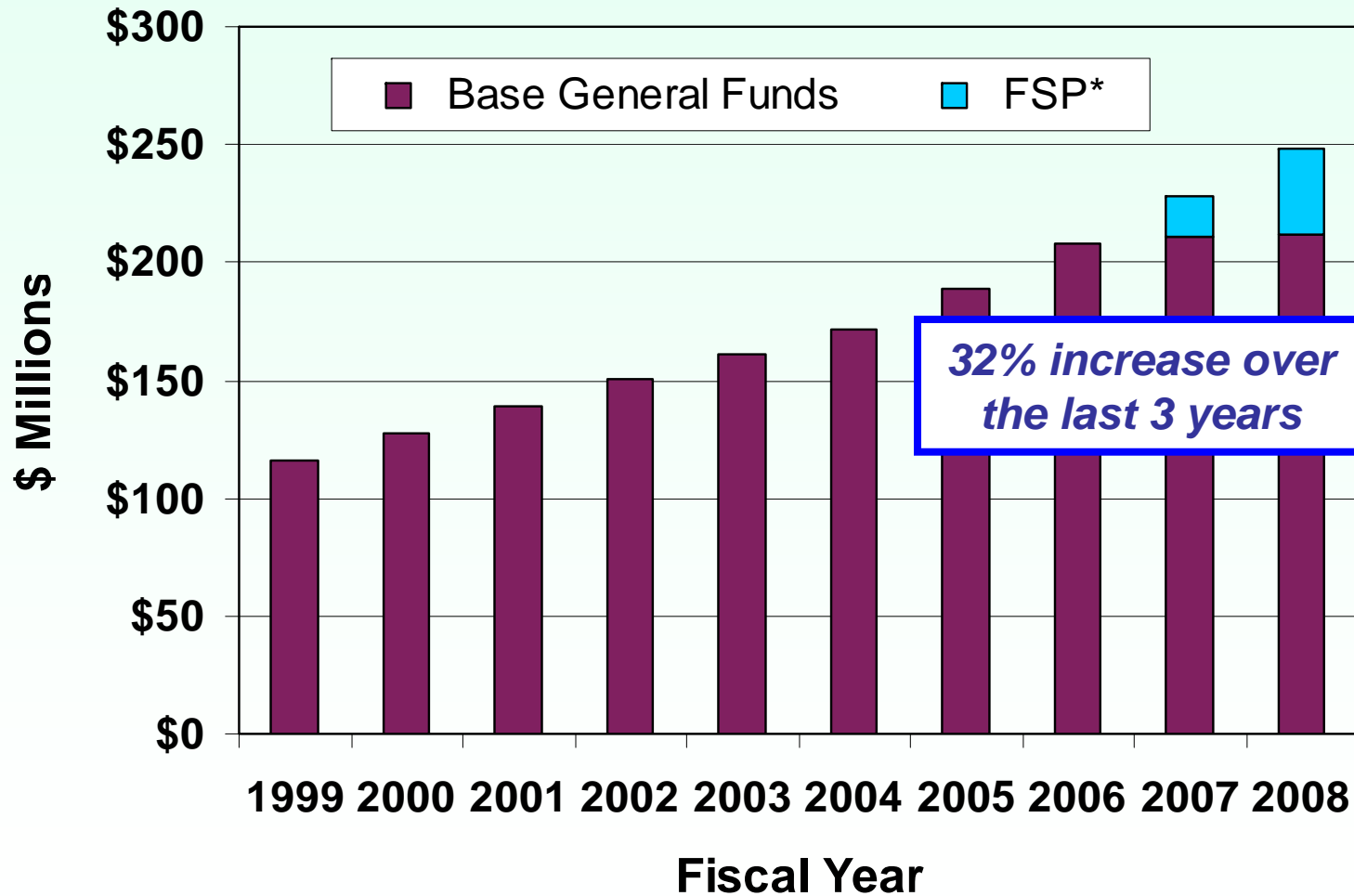
General Funds 1999-2008



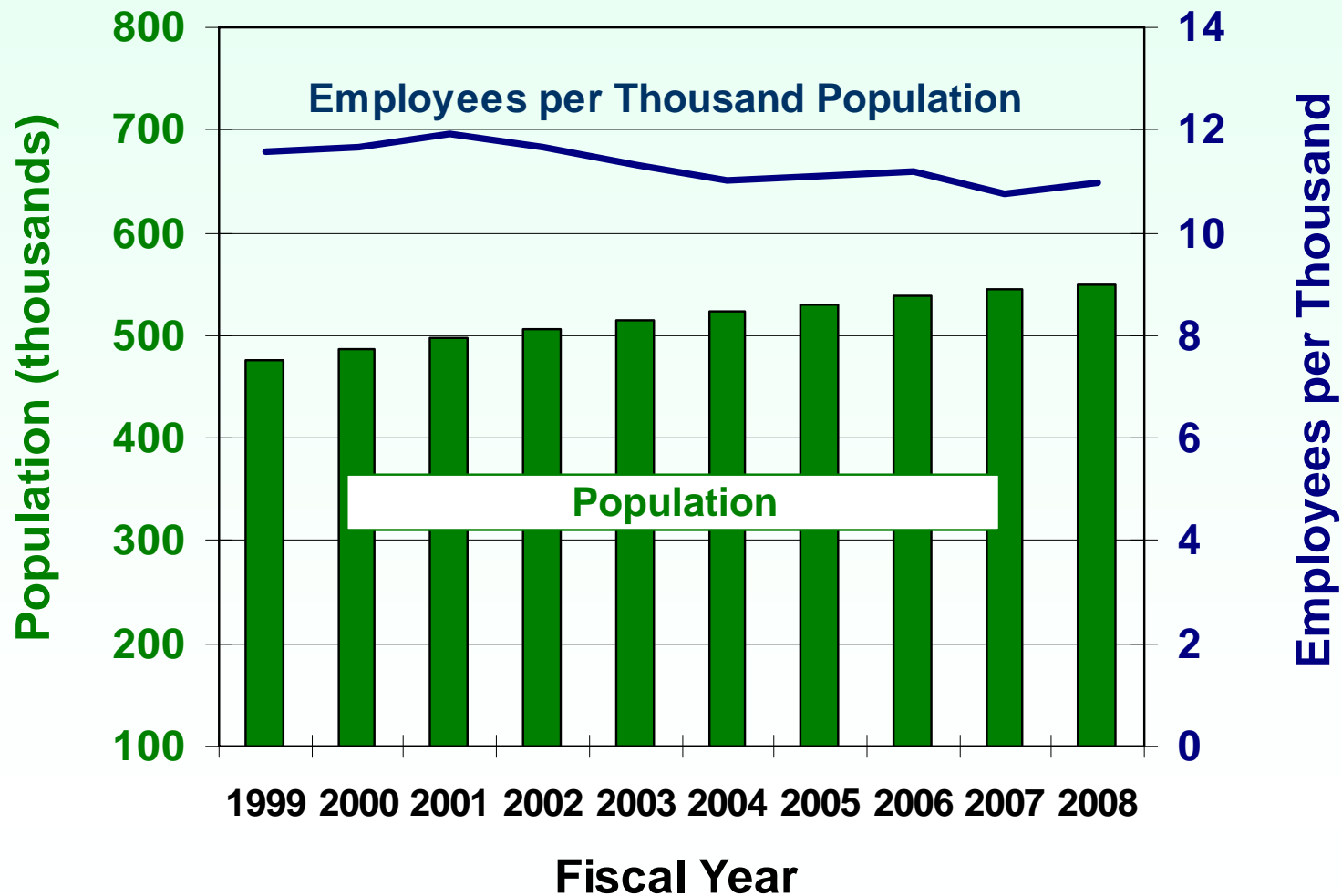
General Funds per Capita Adjusted for Inflation



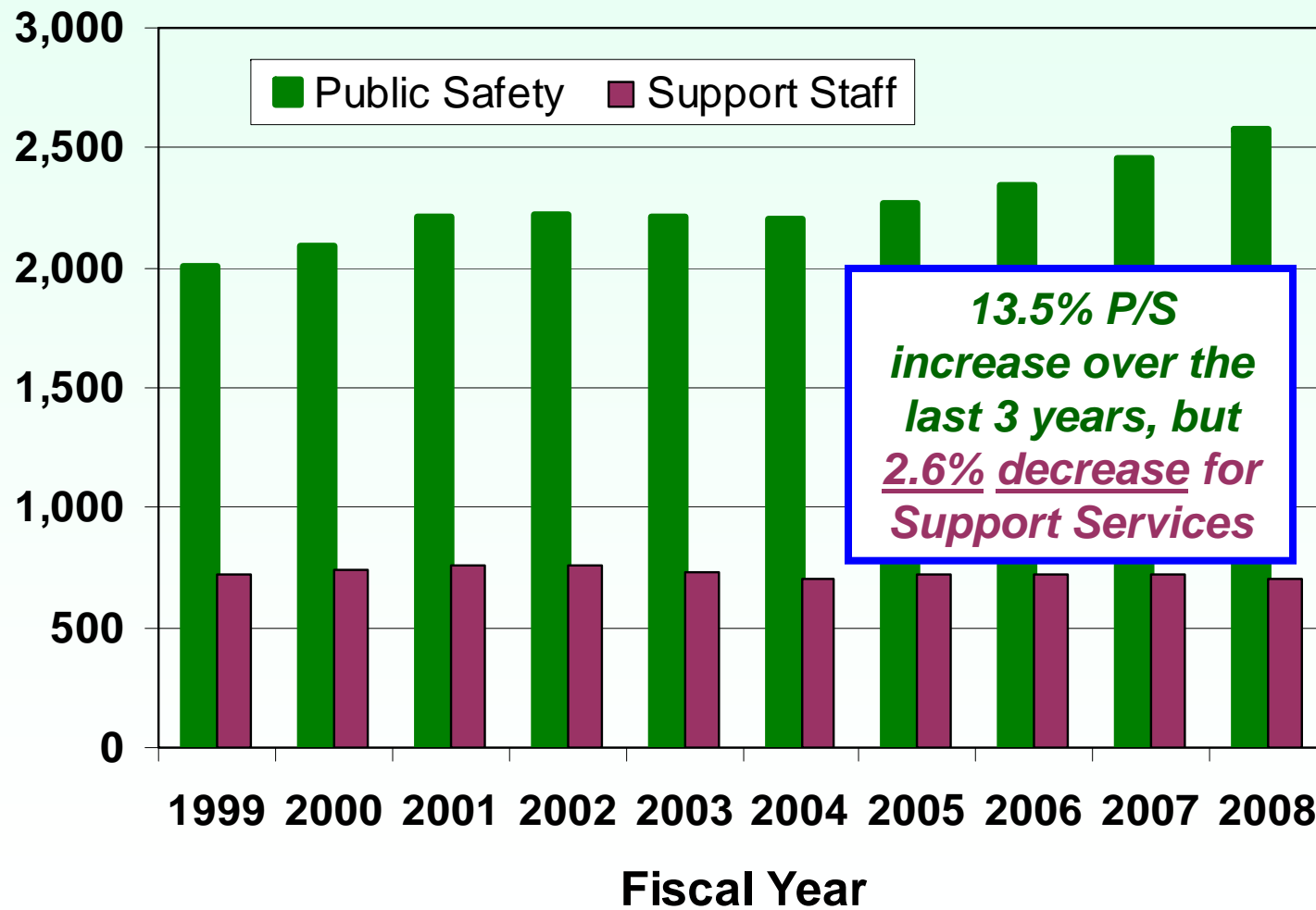
Public Safety Operating Budget General Funds



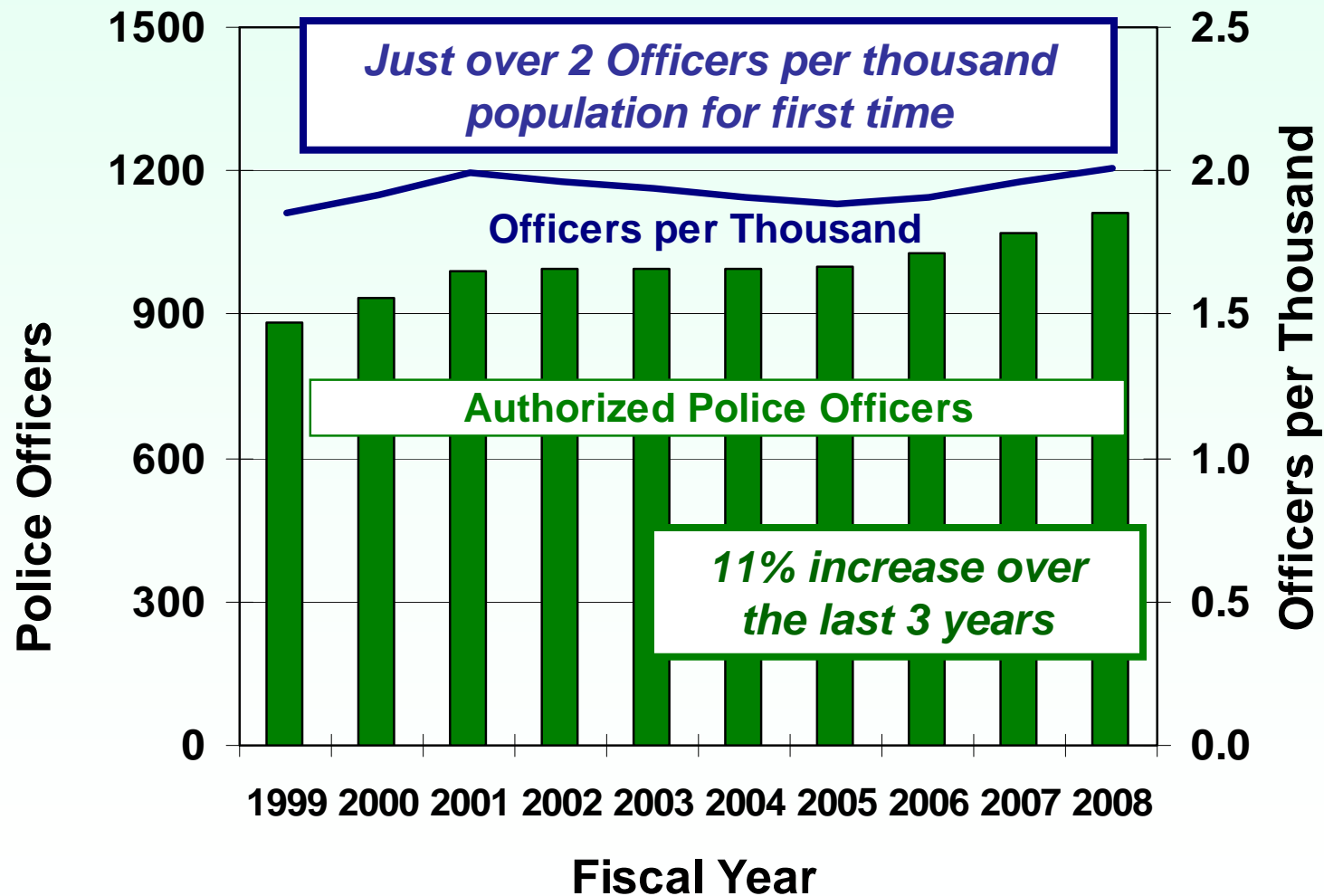
Population and Employees per Capita



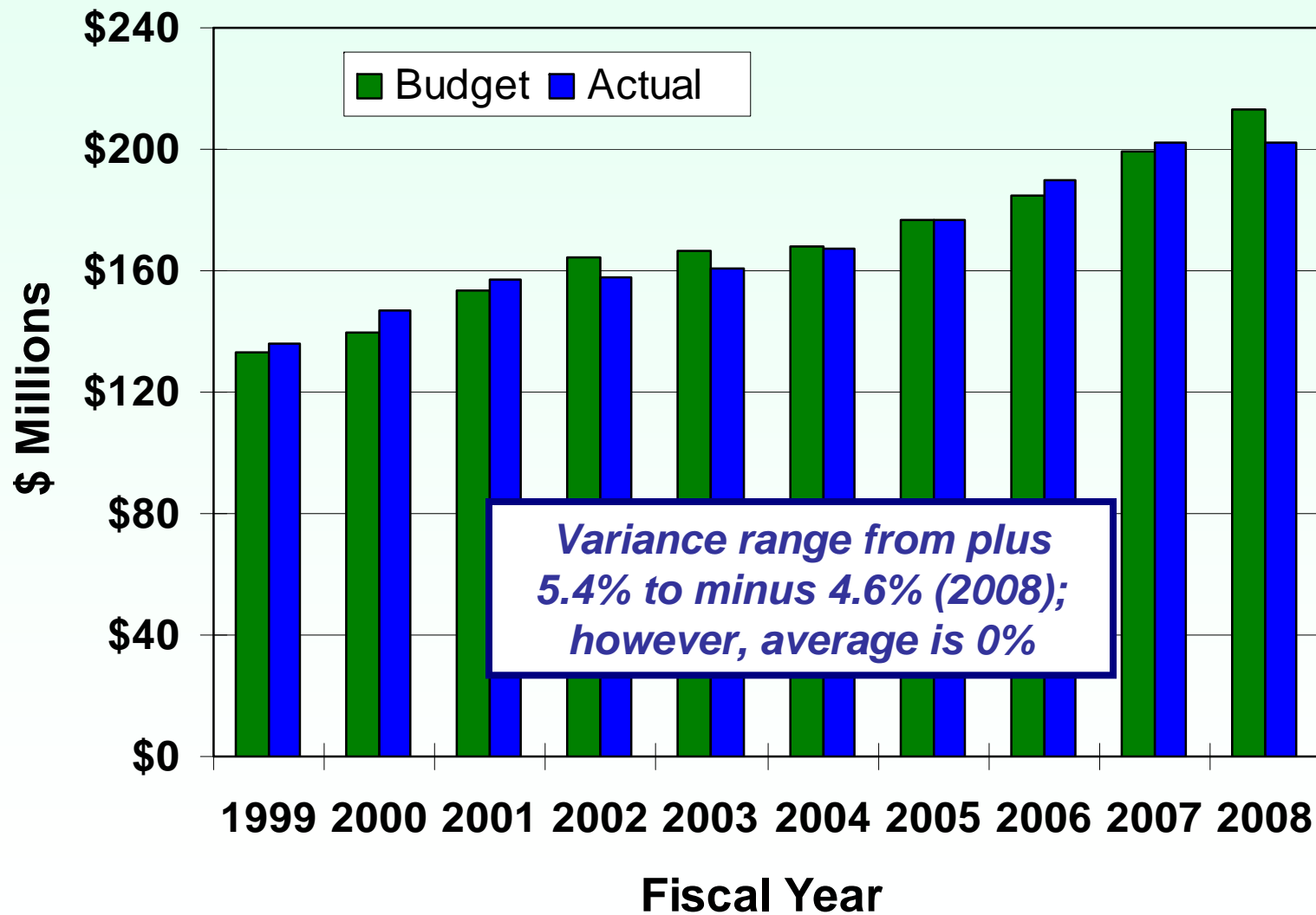
Public Safety and Support Services Employees (FTEs)



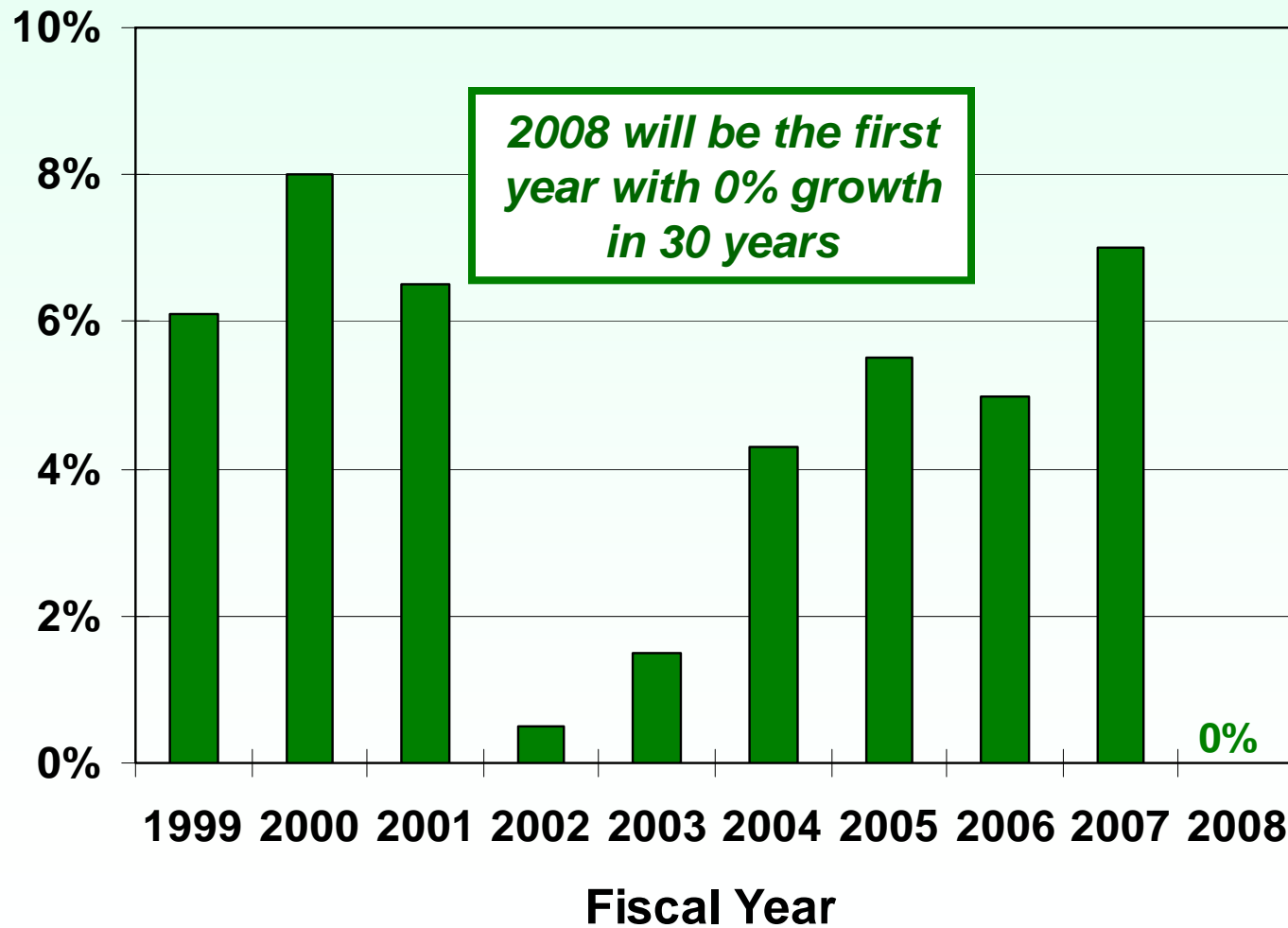
Police Officers: Authorized and per Thousand Population



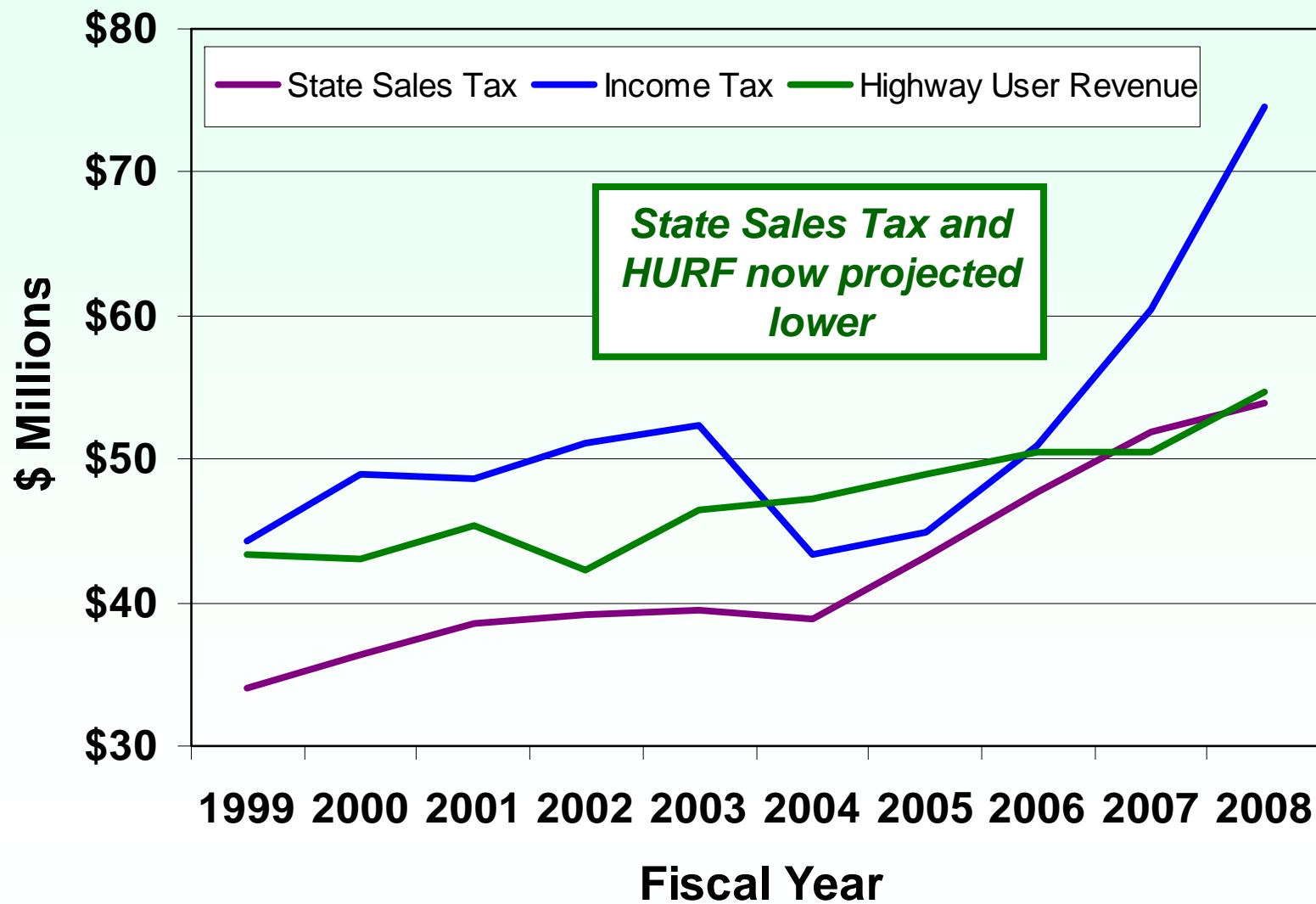
Sales Tax Trends



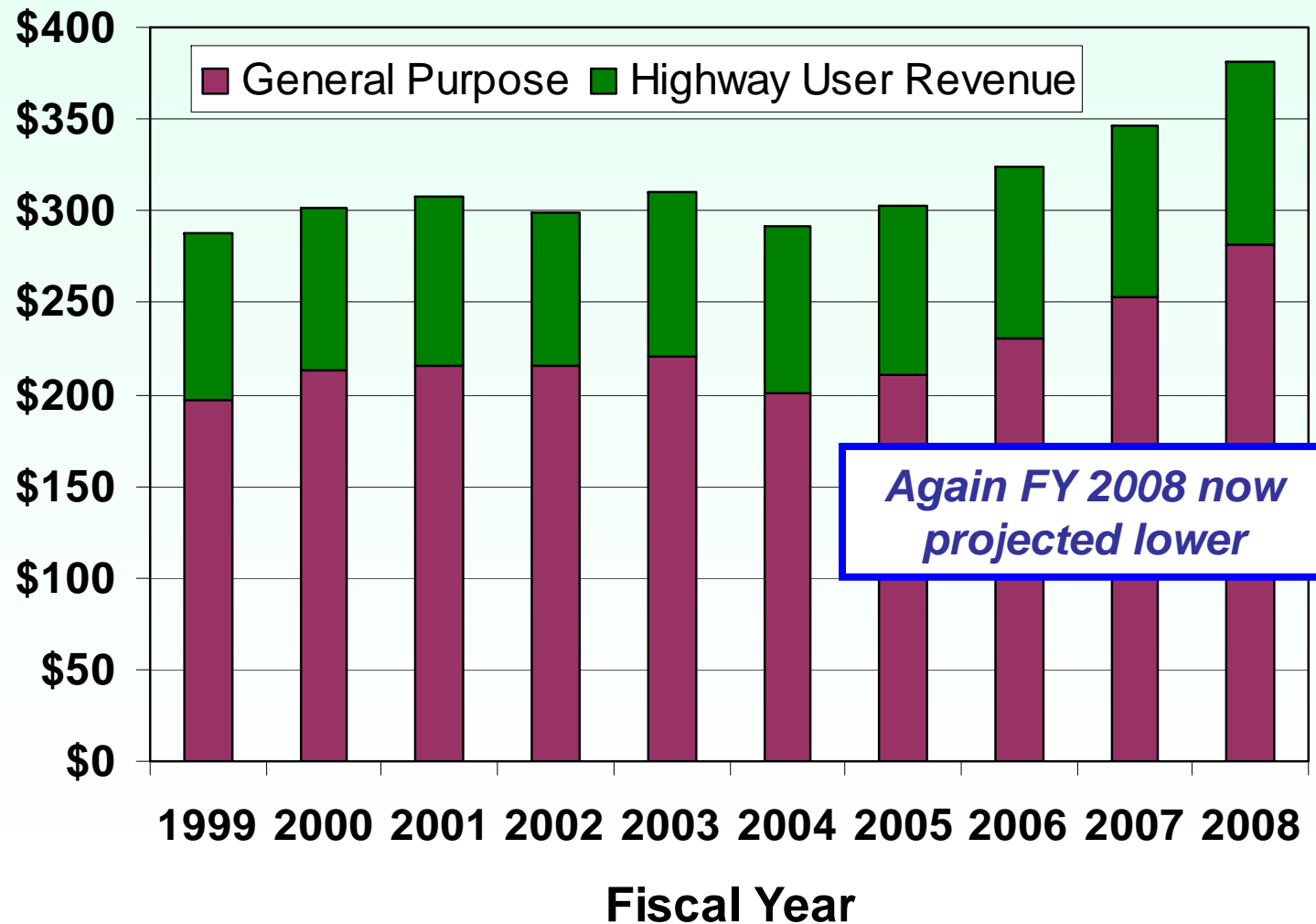
Actual Sales Tax Growth Rate (percent)



State Shared Revenue Budgets



State Shared Revenue per Capita

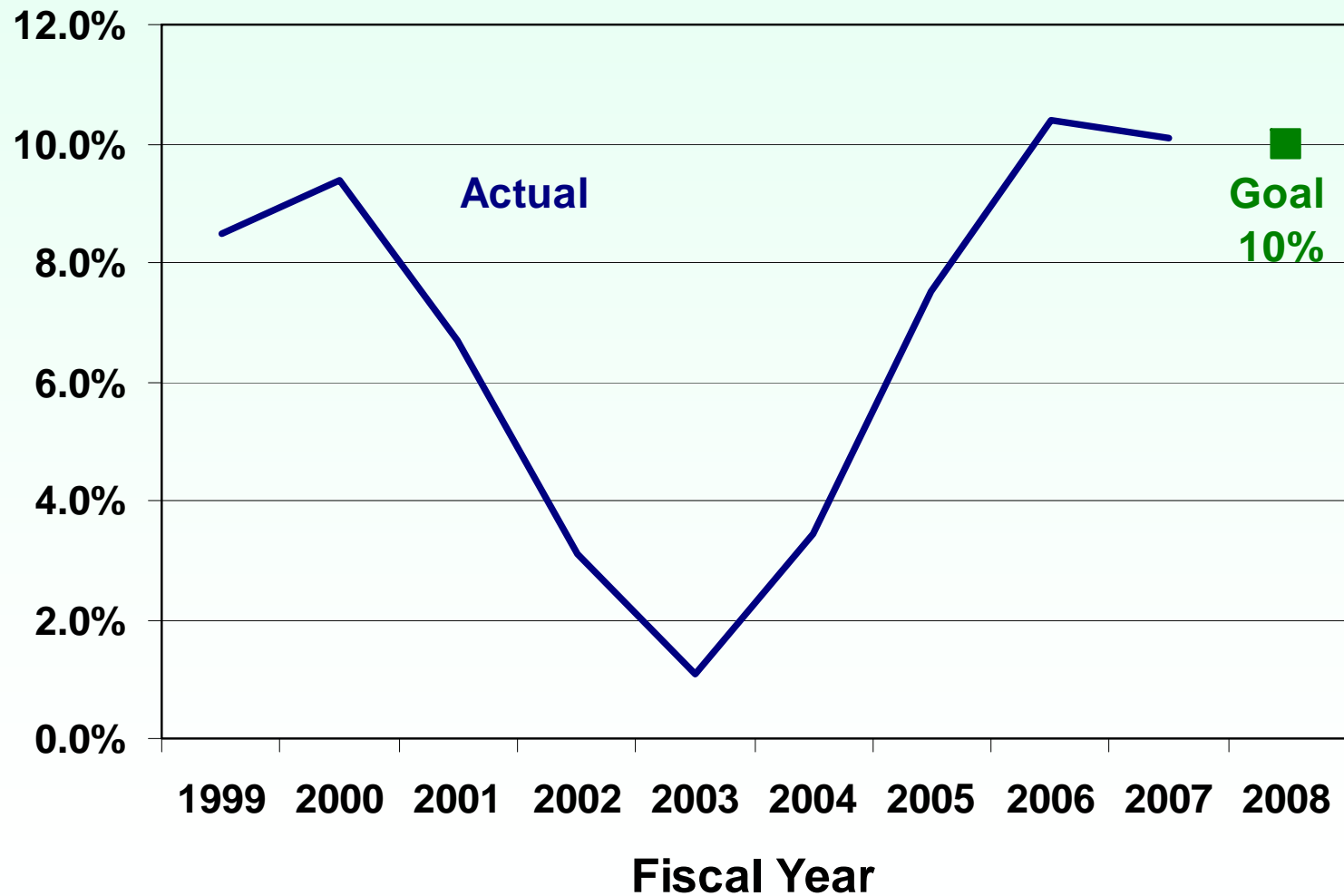


Fiscal Year 2008 Shortfall

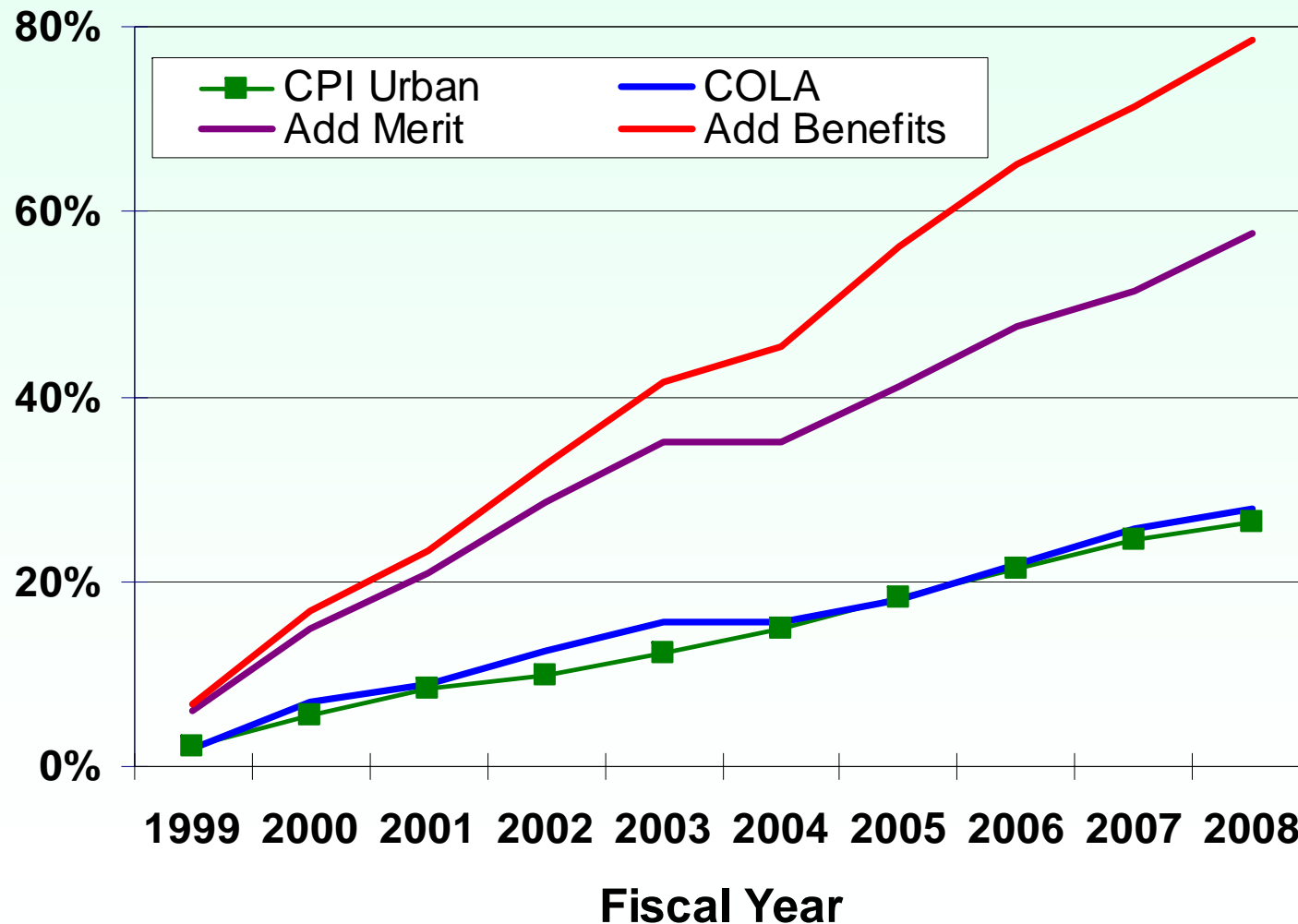
General Funds

(\$ millions)		As of	Projected
	Budget	Feb.	Year-End
<u>Revenues</u>			
Sales Tax <i>0% Growth</i>	212.9	132.8	202.4
State Sales Tax <i>1.5% below 2007</i>	54.0	32.9	49.6
Other	226.5	142.3	229.4
Total Services	493.4	308.0	481.4
Shortfall			-12.0

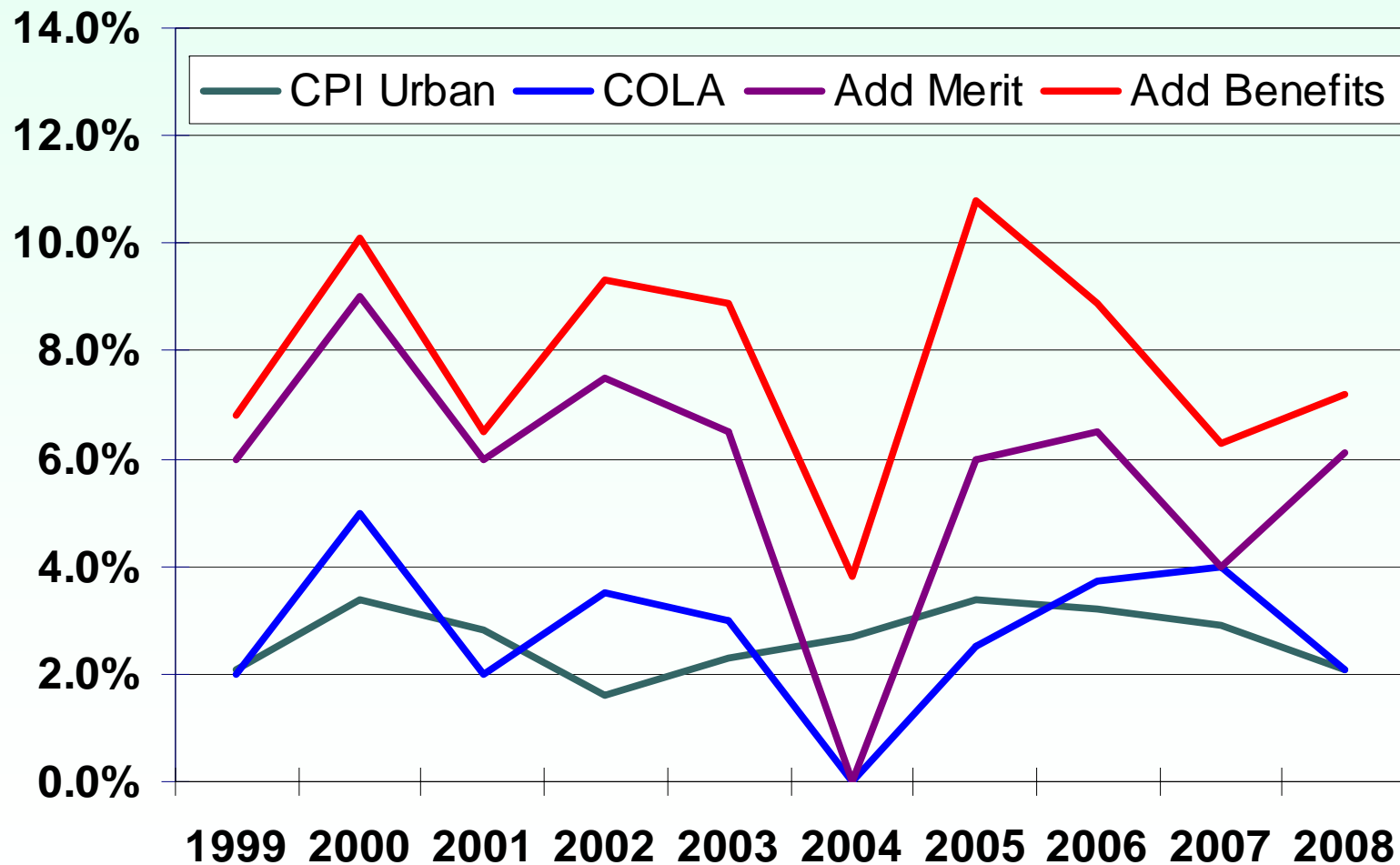
General Fund Balance (unreserved)



Salary and Benefit Growth (cumulative) Compared to Inflation



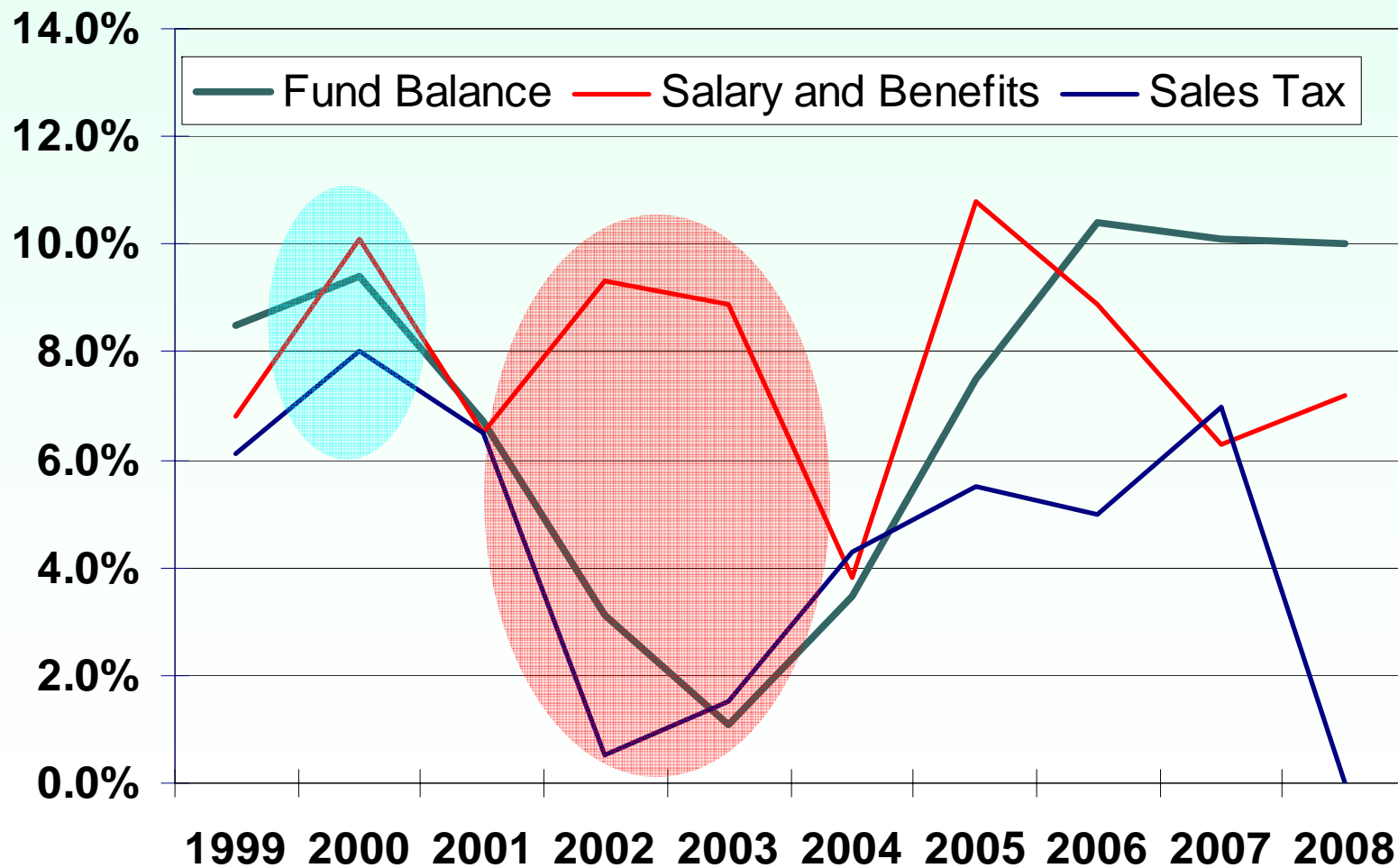
Annual Salary and Benefit Rates Compared to Inflation



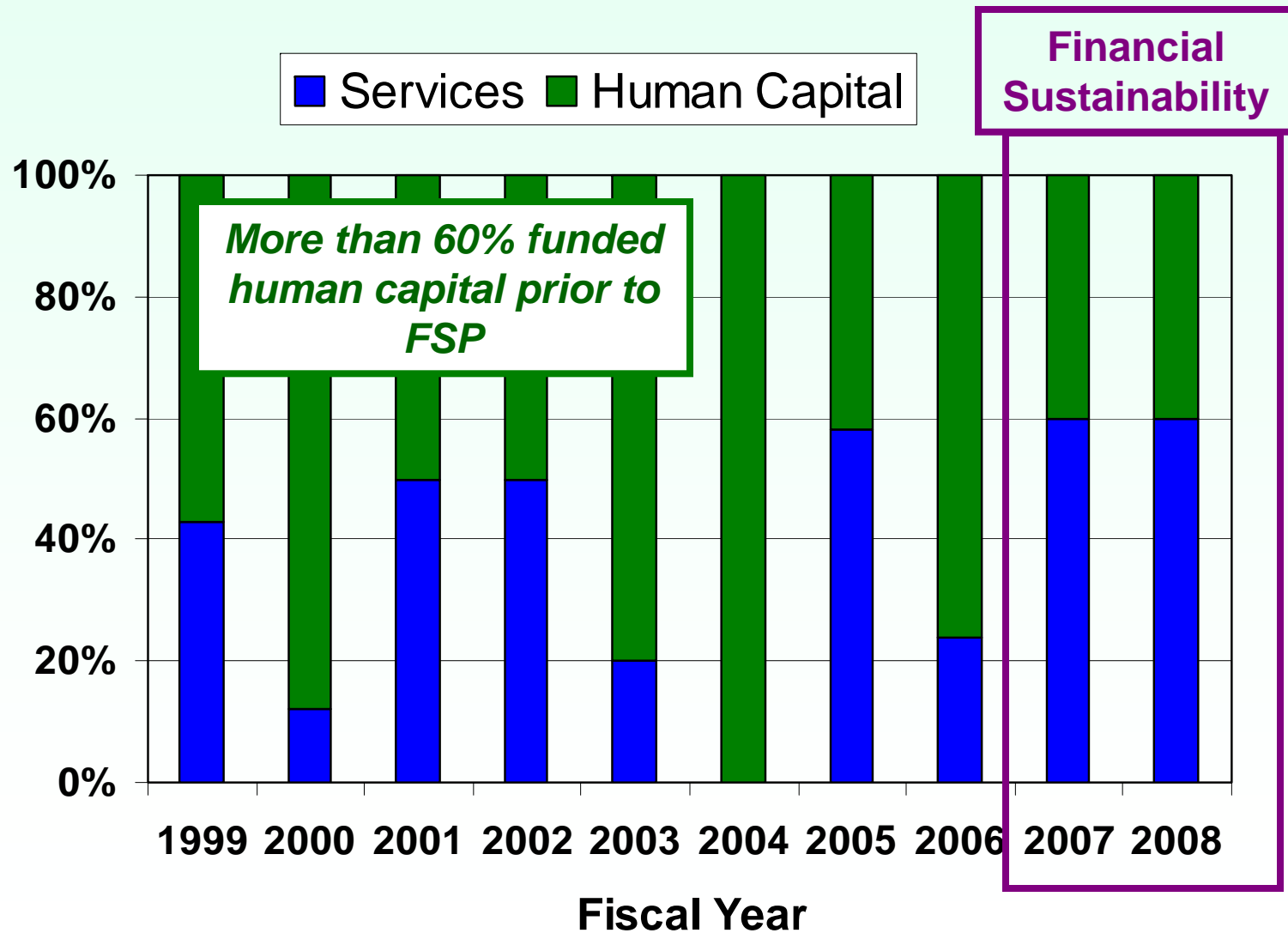
Average Salary and Benefit Cost per Employee

	Average	Percent of Salary
Salary and Related Pay	\$58,100	
<u>Benefits</u>		
Pension	8,600	15%
Health Dental & Life	6,800	12%
Social Security	2,600	4%
Workers Comp/Unemployment	800	1%
Other	400	1%
Total Benefits	\$19,200	33%
Total	\$77,300	

Annual Salary & Benefit Growth Compared to Fund Balance & Sales Tax

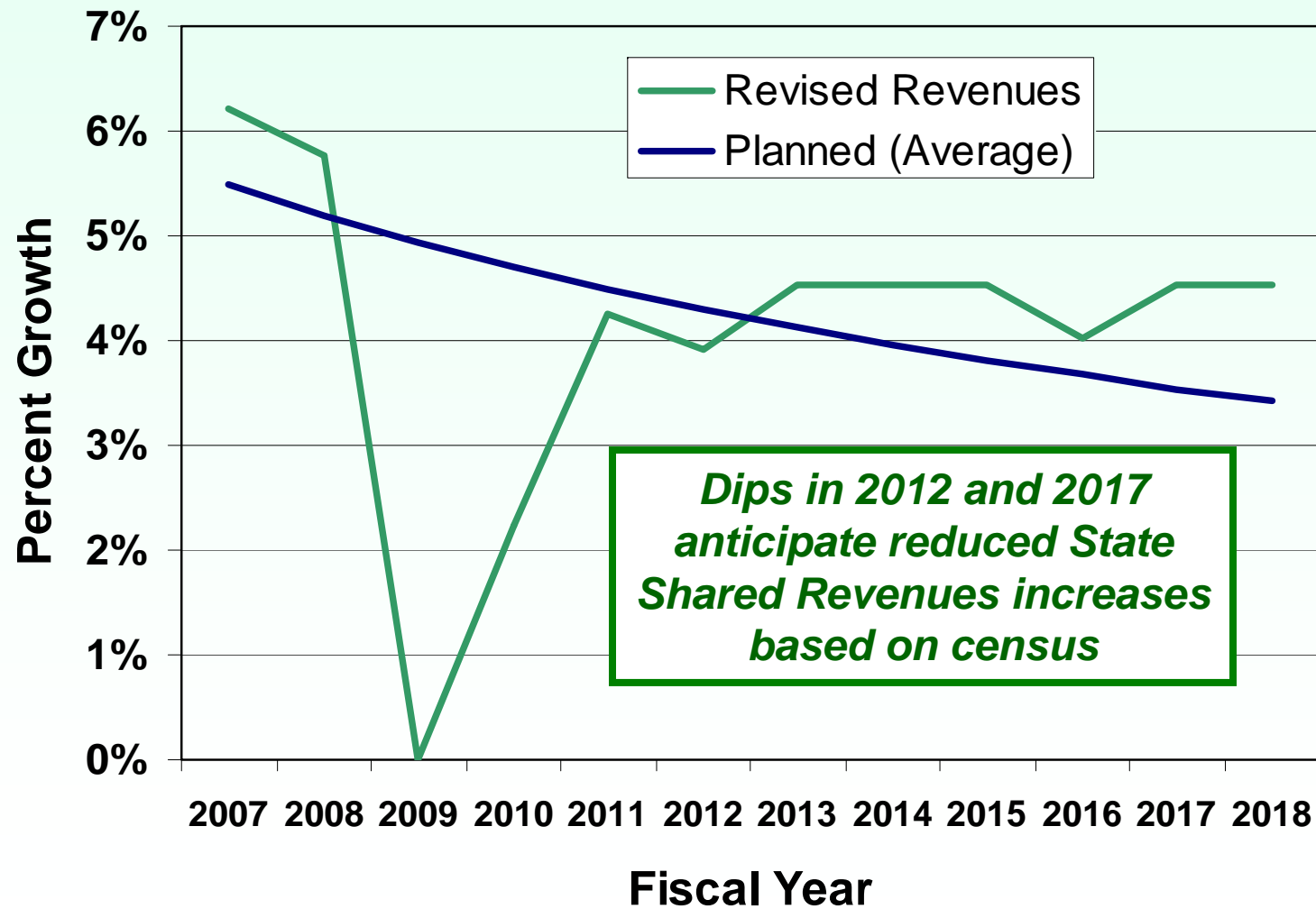


Revenue Growth Allocation



Financial Sustainability Revenues

Annual Growth



Financial Sustainability

First 2 Years

Budgets (\$ millions)	2007	2008
<u>Services</u>		
Road Maintenance	4.0	7.4
Police and Judicial	6.3	12.3
Fire Response	3.8	8.6
Parks and Recreation	2.1	3.9
Total Services	16.2	32.2
 Human Capital	 10.8	 21.4
Total	27.0	53.6

Financial Sustainability Goals

First 2 Years

- 24 square miles of residential street maintenance
- 80 Police Officers
- 74 Firefighters and Paramedics
- 26,000 hours of parks and facility maintenance
- 21,000 hours of recreational programming

Financial Sustainability

First Year Results

- 9 square miles of residential street maintenance compared to goal of 8
- 40 Police Officers hired – met goal
- 29 Firefighters and 7 Paramedics- met goal
- 25% increase in contracted parks maintenance
- 676 children added to KIDCO and 3,800 hours of senior programming exceeds goal

Financial Sustainability

2nd Year Goals will be Met

- On track for 16 square miles of residential street maintenance – 75% complete through Feb.
- 40 Police Officers by June - 75% hired by Feb.
- 45 Firefighters and Paramedics in service – goal met
- 20,000 hours of parks maintenance and other upgrades to be complete by June
- 13,000 hours of KIDCO summer programming – 50% July and Aug., remainder May and June

General Purpose Funds

(\$ millions)	2008	Preliminary Estimates	
	Budget	2009	2010
<u>Revenues</u>			
Sales Tax	212.9	206.8	214.1
State Shared	154.4	157.0	159.5
Other	126.1	127.9	129.0
Total Services	493.4	491.7	502.6
Change		-1.7	10.9
FSP	53.6	53.6	64.5

FY 2009 Budget Issues

- FY 2009 Revenues are projected to meet funding levels consistent with FY 2008
- Funding not available for budget increases
- Outstanding budget issues:
 - \$6 million for Public Safety Pension
 - \$3 million for full year cost of FY 2008 merits
 - \$1 to \$2 million for fuel
 - Medical insurance rates being discussed
- Continue to hold vacancies and defer travel and acquisitions while low priority activities are identified for reduction

Financial Sustainability

What will be funded in 2009?

- 16 square miles (\$7.4 million) of residential street maintenance (40 square miles in 3 years)
- Maintain funding for the 80 Police Officers hired the first 2 years
- Maintain funding for the 74 Firefighters and Paramedics hired the first 2 years
- Continue parks maintenance, including \$800,000 to rehab and upgrade facilities and major equipment items
- Continue KIDCO and senior programming

What does it all mean?

Ten-Year Trends

- We've seen slowing population growth
- The City has responded by generally keeping per capita base operating budgets at 1999 levels or lower as adjusted for inflation
- Employees per capita have decreased as well
- Business cycles and employee compensation/benefit decisions significantly impact general fund balances
- Employee compensation/benefits significantly exceed inflation

What does it all mean?

Current Year

- An economic slowdown was anticipated: sales tax growth projected at 4.5% compared to 7% in the prior year (other governments forecast 7% growth)
- While early data showed Tucson ahead of the State, a \$5 million deficit was projected based on the 1st quarter (slower hiring was projected to generate savings)
- Holiday revenues proved to be much lower than anticipated resulting in a projected \$12 million shortfall
- In response, vacancies are being held, travel cut, and acquisitions deferred
- Others have similar or worse financial difficulties and are proposing significant cuts

What does it all mean?

Financial Sustainability (FSP)

- Reversed past practices that favored human capital funding over services
- The current economic cycle will adversely impact FSP in the short run
- Future revenue growth is anticipated to recover lost ground
- In the first two years FSP funded a cumulative \$48 million in services and \$32 million for human capital
- FSP has been successful in meeting service goals

What does it all mean?

FYs 2009 and 2010

FY 2009 revenues will generally recover to 2008 budgeted levels

- No additional funding to expand services or human capital
- This will allow the City to continue funding the FSP programs in place through 2008 including maintenance on an additional 16 square miles of residential streets and \$800,000 to upgrade various parks facilities and equipment

FY 2010 preliminary projections support \$6.5 million for services and \$4.4 million for human capital